

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Department of Veterans Affairs

*Review of  
Alleged Improper  
Contract Awards in OI&T's  
Service, Delivery, and  
Engineering Office*

July 12, 2016  
15-04231-223

## ACRONYMS AND ABBREVIATIONS

FAR	Federal Acquisition Regulation
OIG	Office of Inspector General
OI&T	Office of Information and Technology
RFQ	Request for Quotation
SDE	Service, Delivery, and Engineering
TAC	Technology Acquisition Center
VA	Department of Veterans Affairs

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# Report Highlights: Review of Alleged Improper Contract Awards in OI&T's SDE Office

## Why We Did This Audit

In June 2015, the Office of Inspector General (OIG) received an anonymous allegation that a senior level Service, Delivery, and Engineering (SDE) official from VA's Office of Information and Technology (OI&T) coerced Technology Acquisition Center (TAC) contracting officers to violate Federal competition requirements when awarding contracts to perform a study of SDE operations.

## What We Found

We did not substantiate the allegation that a senior level SDE official coerced TAC contracting officers to violate Federal competition requirements when awarding contracts to perform a study of SDE operations. We determined that TAC contracting officers complied with Federal competition requirements when they awarded the two task orders associated with the study.

In June 2014, a TAC contracting officer awarded a task order valued at approximately \$972,000 to a Federal Supply Schedule contractor for a study of SDE operations. The contracting officer met the Federal Acquisition Regulation (FAR) competition requirements for orders above the simplified acquisition threshold of \$150,000.

In January 2015, another TAC contracting officer awarded a task order valued at approximately \$4.5 million to the same contractor to complete the study. The FAR allows for limiting competition in the interest of economy and efficiency if the

new work is a logical follow-on to an original Federal Supply Schedule order.

We interviewed the contracting officer and reviewed the contract documentation associated with the task order and determined that the contracting officer adequately justified limiting competition for the second task order. Moreover, the contracting officer's justification was approved by the competition advocate.

## What We Recommended

Although we did not make any recommendations concerning the Hotline allegation, we sent our report to the Office of Information and Technology and to the Office of Acquisition, Logistics, and Construction for executive review. Both offices concurred with our report without comment.

A handwritten signature in blue ink that reads "Gary K. Abe".

**GARY K. ABE**  
Acting Assistant Inspector General  
for Audits and Evaluations

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## RESULTS AND RECOMMENDATIONS

### **Finding**      **SDE Officials Complied With Federal Competition Requirements When Awarding Contracts to Assess SDE Operations**

#### ***Allegation***

On June 8, 2015, the Office of Inspector General received an anonymous allegation that a senior level Service, Delivery, and Engineering (SDE) official from VA's Office of Information and Technology (OI&T) coerced Technology Acquisition Center (TAC) contracting officers to violate Federal competition requirements when awarding contracts to perform a study of SDE operations.

In determining whether TAC contracting officers were coerced, we interviewed the contracting officers as well as other relevant personnel. Our interviews did not yield any evidence of coercion. Nevertheless, we expanded our review to examine all of the essential contract documentation associated with the contracts needed to ensure that the contracting officers complied with the requirements of the Federal Acquisition Regulation (FAR) for full and open competition. Based on our interviews and examination of the documents, we did not substantiate the allegation that the contracting officers were coerced to violate the Federal competition requirements when awarding the contracts. Furthermore, we determined that the contracting officers complied with Federal competition requirements under the FAR when they awarded the contracts.

#### ***Contracting Officers Used Competitive Procedures***

TAC contracting officers used competitive procedures when awarding contracts to perform a study of SDE operations. The Competition in Contracting Act generally requires agencies to obtain full and open competition when procuring goods or services. The FAR states that contracting officers meet the full and open competition requirement when they use FAR procedures specified for placing orders against Federal Supply Schedules.<sup>1</sup>

In June 2014, a TAC contracting officer awarded a task order valued at approximately \$972,000 to a Federal Supply Schedule contractor for a study of SDE operations. For orders above the simplified acquisition threshold of \$150,000, the FAR requires contracting officers to either (1) post the request for quotation (RFQ) on e-Buy (the General Services Administration's online RFQ tool) or (2) provide the RFQ to as many contractors as practicable.<sup>2</sup> We interviewed the contracting officer, reviewed the contract documentation associated with the task order, and determined that the contracting officer

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<sup>1</sup> FAR Subpart 8.404

<sup>2</sup> FAR Subpart 8.405-2

complied with the requirement to post the RFQ on e-Buy. In addition, we ensured that the remaining requirements under the FAR for full and open competition were met and we did not see anything in the solicitation language or award process that otherwise limited competition.

In January 2015, another TAC contracting officer awarded a task order to the same Federal Supply Schedule contractor to complete the study and assist in the implementation of recommendations. The initial task order was for a period of 3 months at a cost of approximately \$972,000. The second task order was for a period of 13 months at a cost of approximately \$4.5 million. In addition, the first task order only required 2 major deliverables while the follow-on task order required 11 major deliverables as a result of an expansion and implementation of the original effort.

The FAR allows for limiting competition in the interest of economy and efficiency if the new work is a logical follow-on to an original Federal Supply Schedule order.<sup>3</sup> In limiting sources for follow-on orders exceeding the simplified acquisition threshold, the requirements for the limited sources justification memorandum prepared by the contracting officer are more extensive and the justification approval authority is elevated to the competition advocate.<sup>4</sup> We interviewed the contracting officer, and reviewed the contract documentation associated with this follow-on task order, including the limited sources justification memorandum.

According to the justification memorandum, VA required an expansion of the study conducted under the first task order as well as implementation of recommendations resulting from the study. The justification memorandum further explained that the efficiencies gained by having the same vendor complete the study and implementation would result in approximately \$13.5 million in estimated savings and cost avoidance. Moreover, the contracting officer's justification was appropriately approved by the competition advocate. In examining the contract documentation associated with this follow-on task order, we determined that the contracting officer met the requirements under the FAR related to limiting competition for orders exceeding the simplified acquisition threshold.

### **Conclusion**

Our interviews of the contracting officers and other relevant personnel revealed no evidence that the contracting officers were coerced to award these contracts. Furthermore, in examining the contract documentation associated with both task orders, we determined that the contracting officers complied with the applicable provisions of the FAR related to full and open competition and limiting sources for follow-on task orders.

We made no recommendations.

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<sup>3</sup> FAR Subpart 8.405-6(a)(1)(C)

<sup>4</sup> FAR Subpart 8.405-6(c) and (d)

## **Appendix A Scope and Methodology**

### **Scope**

We conducted our review from November 2015 through March 2016. Our review focused on two task orders related to the hotline complaint that were awarded by TAC contracting officers in June 2014 and January 2015, respectively.

### **Methodology**

We reviewed the Competition in Contracting Act and applicable Federal Acquisition Regulation provisions related to achieving full and open competition. We interviewed the Deputy Chief Information Officer for OI&T's Office of Service, Delivery, and Engineering and TAC contracting officers as well as other relevant personnel. We also obtained and analyzed key contract documentation associated with items such as market research, acquisition plans, performance work statements, contract reviews, and a limited source justification to determine whether TAC contracting officers complied with Federal competition requirements.

### **Data Reliability**

We did not rely on computer-processed data to address the allegation.

### **Government Standards**

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

## Appendix B Contact and Staff Acknowledgments

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OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Mario M. Carbone, Director Clenes Duhon Jehri Lawson
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